

Message Text

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17

ACTION ARA-20

INFO OCT-01 AF-10 EUR-25 EA-11 NEA-14 ISO-00 AEC-11 AID-20

CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00 EB-11 FPC-01

H-03 INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07

RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 FEA-02

IO-14 PA-04 PRS-01 USIA-15 DRC-01 /243 W

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R 142141Z JUN 74

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 4217

INFO AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIMA

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY PORT OF SPAIN

AMEMBASSY QUITO

AMEMBASSY ROME

AMEMBASSY TEHRAN

AMEMBASSY THE HAGUE

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

AMCONSUL DHAHRAN

USMISSION OECD PARIS

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E.O. 11652: N/A

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TAGS: ENRG, VE, OPEC

SUBJECT: EEC AIDE MEMOIRE ON OIL PRICES AND TAXES

1. GERMAN EMBASSY HAS PROVIDED TEXT OF AIDE MEMOIRE IT GAVE ON BEHALF OF COUNTRIES OF EUROPEAN ECONOMIC COMMUNITY TO VENEZUELAN GOVERNMENT ON JUNE 12 ON SUBJECT OF OIL PRICES AND TAXES.

2. AIDE MEMOIRE, OUR COPY OF WHICH IS IN FRENCH LANGUAGE, MAKES VERY STRONG CASE AGAINST ANY INCREASE IN TAXES ON OIL COMPANIES. BASIS FOR ARGUMENT IS CERTAINTY THAT THIS WOULD LEAD TO INCREASED PRICES AND CONSEQUENTLY DAMAGE EEC COUNTRIES, OTHER DEVELOPED COUNTRIES, LESS DEVELOPED COUNTRIES AND OIL PRODUCING COUNTRIES THEMSELVES. AIDE MEMOIRE STATES THAT TAX INCREASE ENVISAGED BY OPEC "DOES NOT SEEM TO CORRESPOND TO REALITY." IT MAKES FAMILIAR POINTS ABOUT DIFFERING COSTS OF "EQUITY" OIL AND "BUY-BACK" OIL, OBSERVES THAT COMPANIES AVERAGE THESE TWO FOR THEIR COST BASIS AND STATES THAT ANY ABNORMAL PROFIT REALIZED WAS RELATED TO EXCEPTIONAL CIRCUMSTANCES.

3. EEC AIDE MEMOIRE CLOSES BY STATING "THE COUNTRIES OF THE COMMUNITY WISH TO DRAW ATTENTION OF OPEC TO IMPERIOUS NECESSITY THAT A PROCESS OF TAX INCREASES NOT BE UNDERTAKEN WITHOUT AN ANALYSIS OF CONDITIONS APPROPRIATE TO TERMS OF AN INTERNATIONAL PETROLEUM EQUILIBRIUM, THE INSTITUTION OF WHICH HAS ALWAYS ATTRACTED THEIR INTEREST."
MCCLINTOCK

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Message Attributes

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30 JUN 2005

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TAGS: ENRG, VE, OPEC
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